

**SPECIAL JOINT SESSION
December 9, 2002**

The Board of Supervisors of Maricopa County, Arizona convened at 2:00 p.m., December 9, 2002, in the Board of Supervisors' Conference Room, 301 W. Jefferson, Phoenix, Arizona, with the following members present: Don Stapley, Chairman; Fulton Brock, Vice Chairman; Andy Kunasek, Max W. Wilson, and Mary Rose Wilcox (entered late), for a Special Joint Session with the Maricopa Integrated Health System Board of Directors; members present were Charles Shipley, Cliff Klima, William Bruno, Frank Nazeotte, Merwin Grant and Dr. William Packman. Also present: Fran McCarroll, Clerk of the Board; Shirley Million, Administrative Coordinator; David Smith, County Administrative Officer; Paul Golab, Deputy County Attorney; and Mark Hillard, MIHS Director.

DISCUSSION: MARICOPA INTEGRATED HEALTH SYSTEM STRATEGIC PLAN OPTIONS

Item 1: MIHS Strategy In Light Of Current State & County Budget Circumstances (ADM 2100)

David Smith, County Administrative Officer, said that beginning June 30, 2003, as a result of Proposition 204 and subsequent legislation, the County's mandate on health care will change. This means that County Government will have the option of choosing to do certain things rather than be mandated to do them by the State. He observed that profitability of all health plans are in flux, including MIHS (Maricopa Integrated Health System), whose cash reserves are virtually gone and whose government reimbursement sources are also in financial jeopardy. He said that \$70-80M has been spent the past several years to improve the hospital's physical plant. These issues could prove heavy enough to put the County's General Fund balance at risk if this continues.

He commented on previous legislative proposals to form a Hospital District to alleviate the financial pressure. These were opposed by the Arizona Hospital Association's individual hospitals who view MIHS as a competitor, and this opposition made it impossible for the Legislature to pass the necessary measures.

~ Supervisor Wilcox entered the meeting ~

Item 2: Overview Of Available Health System Governance Options

Chris Keller, County Counsel, reported on several options that had been studied and deemed plausible courses of action, as follows:

1. Modified Status Quo – scale back and eliminate unsuccessful programs, no new funding and the deed restriction would remain.
2. Transfer to the Board of Regents under the University Medical Center statute
3. Hospital District – restricted to facilities in a single location
4. Public Health Services District – possible to do very quickly by unanimous Board action
5. Special Health Care District – minor statutory amendment needed
6. Two Hybrid Districts, Hospital and Public Health – many positives but more complex to accomplish, may provide a better chance to receive disprop funds directly

Discussion ensued on the pros and cons on the Hybrid Districts and which services would be allocated to each entity if this proved a desirable solution.

Recommendation was to create a citizen's task force to concentrate on ways to resize the health system, refocus the mission towards future challenges and to include relevant public health related issues. This task force would report to the Board within 60-90 days on governance and funding options. Mr. Smith

said that a public process of interested citizens with designees from the MIHS Board and the Public Health Board could begin a rapid process to accomplish several specific things:

1. Examine the MIHS situation and determine what needs to be done to operate within the available funds.
2. Examine the advisability of a public vote on funding.
3. Options regarding resizing the facility.
4. Evaluate and update the County's mission on providing for community health needs.
5. Look at a collaboration between Public Health and MIHS
6. Report findings and options to both County and Hospital Boards as soon as possible.

In a parallel move, he advised that several bills be introduced in the Legislature now so follow-up legislation can be quickly initiated when decisions have been made from task force recommendations. He also advised continued efforts to eliminate the deed restriction by alleviating any concerns the State may have on possible self-serving motives by the County in making the request.

Chuck Shipley, Chairman of Hospital Board Strategic Planning Committee, asked if the County wants to become a purchaser and provider of health care in the next five years, or to just continue to be a provider, or to get out of the business altogether. He indicated that until the Hospital Board is told what the County's long-term plan is it is difficult for them to consider any options that might be presented by a task force. He asked to know the role the Hospital Board is expected to play and what the County wants them to do. He felt the options presented by Counsel earlier were a good starting point. He said that the points just made by Mr. Smith were all new to him and Hospital Board members and voiced a continuing complaint that they are "kept behind the curve" and are only asked for input on special occasions such as provided in this joint meeting. He said it is difficult to give a thoughtful interpretation when they are not given any information to ponder prior to the meeting.

Chairman Stapley said that Hospital Board and Strategic Planning Committee input is welcome and desired but statutorily their function is to make recommendations. He said this meeting is to get an informal interaction between the two Boards. As to Mr. Shipley's other consideration, the Chairman replied that the County's mandate may be changing but he feels that it should not be abandoned if it proves to be possible to create stability and a practical and positive long term financial performance from the hospital. He stated that the County's role is one that "nobody else provides and we can't just walk away from it. It's our responsibility to find a solution to the problems." He said that there is now an overlap between MIHS and Public Health functions and it remains to coalesce all efforts into a healthcare system that best serves the public.

Supervisor Wilcox remarked that she was excited to see that the outcome of all of the options presented "calls for the system to remain in operation in some capacity and it is just defining that capacity."

Item 3: County Administrator's Recommendations

Mr. Smith explained that this is a complex problem that the County has tried to come to grips with for the past several years and "it may be a unique solution will result that is only applicable to Maricopa County because our problems don't exist anywhere else in the country or in any public health system in the country. We are trying to find that solution." He indicated that It must be affordable, have access to capital, be competitive in a non-threatening way to private hospitals, and one that "still meets a well-articulated vision of the future and that meets the needs of the community at an affordable price. And that

**SPECIAL JOINT SESSION
December 9, 2002**

is a struggle.” He said that meetings such as this one bring those answers closer and indicated that a broader-based citizen’s task force could bring fresh new ideas and even a solution.

Chairman Stapley asked what role the County’s management team would play if a citizen’s task force is formed and what an optimum number of members might be.

Mr. Smith responded that all of County management members could be used as a resource to help in any field of their expertise, and he expected that Mr. Hillard and the MedPro physicians and staff would also act as a helpful resource to them. He felt that from seven to fifteen knowledgeable members from the five districts and MIHS would be optimal.

Discussion ensued on whether or not the matter should go before the Legislature for action and opinions on both sides of the question were voiced. The Hybrid District option was also discussed with many favorable opinions expressed. The search for a futuristic direction for the system’s mission was deliberated, which identified the need for community input on what residents want from the health system in the future. Another issue discussed was the absolute necessity for extra monies to satisfactorily address the hospital’s failing infrastructure needs, as well as updating and modernizing most of the diagnostic and other medical equipment at the hospital if the facility is to remain open.

Supervisor Brock said that the decisions that are being made, or not being made, today are huge. He said, “A significant amount of the County’s budget is in peril here. There is a profitability problem that is not going in the right direction. There are no cash reserves at MIHS, federal and state reimbursements are shrinking and the physical plant is deteriorating, all of which is putting the General Fund at great risk.”

He said that the County can’t afford status quo. He continued by saying that unless two things happen, nothing is going to change and both require work and money. He said that first, the hospital is obsolete and has no appeal to the public. They need private and semi-private rooms to attract a higher payor-mix to break even. Second, he asked, “do we want to compete head-on as a provider in the private sector.” He proposed five things he felt need to be done simultaneously and implemented immediately:

1. Secure title to the land.
2. Focus Group to advise the Boards on what the public wants, funding and future direction.
3. Flow of communication between Hospital Board and the County.
4. Analyze profitable public hospitals in the U.S. and how they do it.
5. Determine if emergency or legislative decisions and/or actions are needed now.

Mark Hillard said that Larry Gage, President of the National Association of Public Hospitals, was recently in town and Mr. Hillard had asked him “‘if there are any hospitals anywhere that don’t receive dispro money or tax revenues that make money’ and he just laughed. He said that there wasn’t a chance for any public hospital to make money under the conditions that we find ourselves.” He added that approximately 50% of public hospitals make money, but only when they receive dispro and tax funding.

Chairman Stapley asked how much total cash has been lost over the years in federal and state revenues that have been diverted or otherwise lost to the hospital. Mark Hillard estimated that in the past 10 years it had to be close to \$450 million in dispro funds and around \$15 million in ALTCS funds after that was shifted to the state from the County.

Mr. Stapley said it isn’t a question of the system losing money but more a question of revenue that should be going into the system that never gets there.

MARICOPA COUNTY BOARD OF SUPERVISORS MINUTE BOOK

**SPECIAL JOINT SESSION
December 9, 2002**

Discussion ensued on the various points given by Supervisor Brock and also how much time the task force should be given before they report back on the various items. There was also discussion regarding the item on the training of the Hospital Board and if they are getting the information they need to perform their duties and what is expected of them in performing those duties. Mr. Smith and Mr. Hillard were asked to research the common characteristics of those hospitals in the country that are either breaking even or making money and distribute this information. Mr. Smith was asked to give details on the task force by the end of the year.

Chris Keller clarified this as follows: Mr. Smith will be asked to put together a task force using recommendations from the Supervisors and the Task Force will be appointed by the Board. Under this structure open meetings will be their proper format with an option of holding executive sessions for legal advice if needed.

MEETING ADJOURNED

There being no further business to come before the Board, the meeting was adjourned.

Don Stapley, Chairman of the Board

ATTEST:

Fran McCarroll, Clerk of the Board